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IN THE

Supreme Court of the United States

October Term, 1941.

No. 286

MAHOGANY ASSOCIATION, INC., and THOMPSON MAHOGANY COMPANY,
(Defendants-Appellees Below),
Petitioners,

vs.

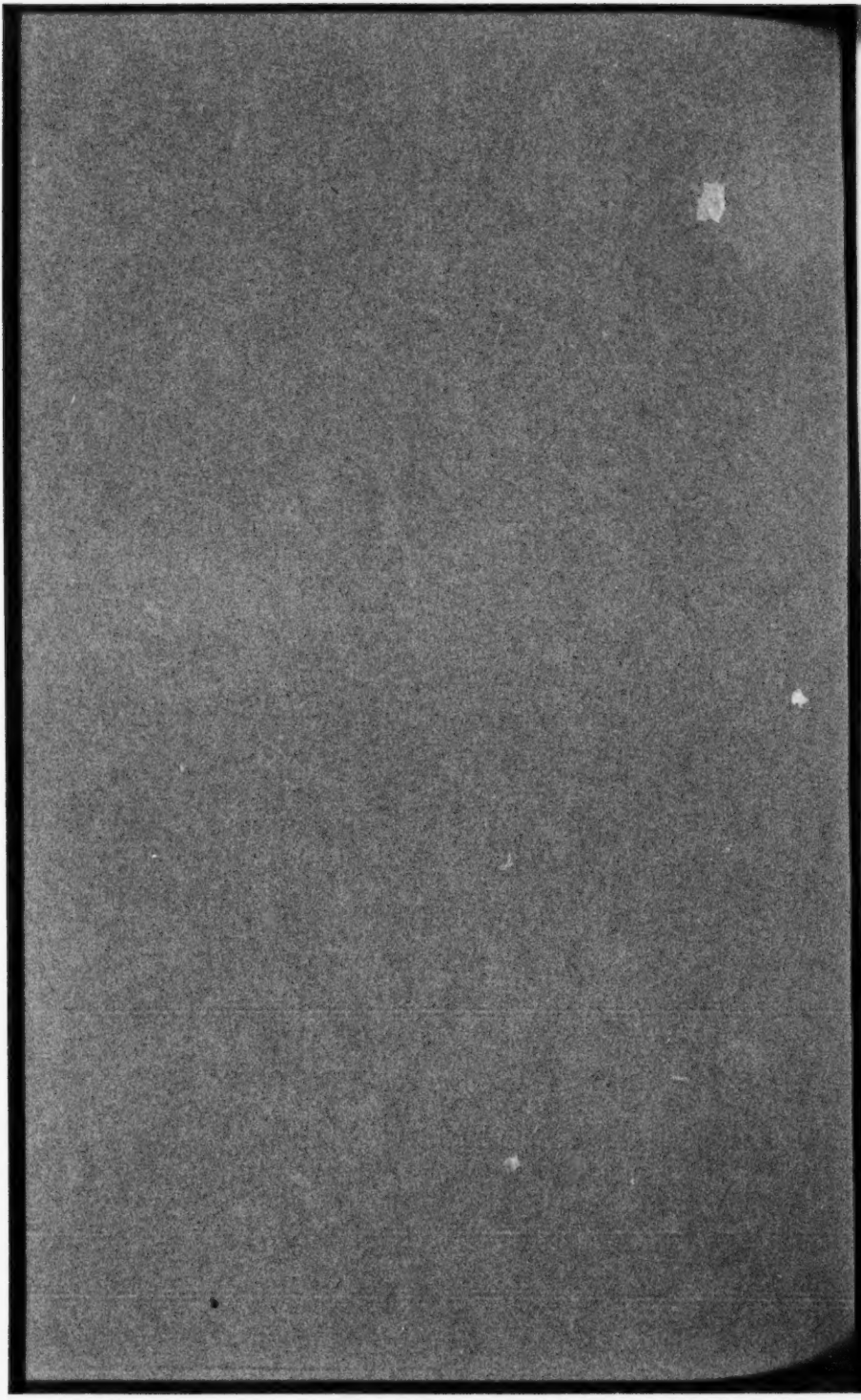
BLACK & YATES, INC., THOMAS E. POWE LUMBER COMPANY and WALTER S. SCHIM,
(Plaintiffs-Appellants Below),
Respondents.

Petition for Writ of Certiorari and Brief in Support Thereof

WILLIAM P. McGOOL,
[illegible]
New York, N. Y.

and

ARTHUR G. LOGAN,
[illegible]
Wilmington, Delaware,
Attorneys for Petitioners.



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IN THE

Supreme Court of the United States.

No. . October Term, 1941.

MAHOGANY ASSOCIATION, INC., AND THOMPSON MAHOGANY COMPANY,
(Defendants-Appellees Below),
Petitioners,

v.

BLACK & YATES, INC., THOMAS E. POWE LUMBER COMPANY AND WALTER G. SCRIM,
(Plaintiffs-Appellants Below),
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

To the Honorable Harlan F. Stone, Chief Justice of the United States, and the Associate Justices of the Supreme Court of the United States:

Your Petitioners, Mahogany Association, Inc. and Thompson Mahogany Company, respectfully pray for a writ of certiorari to the Circuit Court of Appeals for the Third Circuit to review a judgment entered in the above-captioned cause on June 10, 1942, on rehearing. On June 30, 1941, an opinion was filed by Judge Clark. A rehearing was granted by order dated August 18, 1941, and heard by the Court *en banc* on October 24, 1941. An opinion on rehearing was filed June 10, 1942, by Judge Biggs substan-

tially adhering to the original determination. Neither has been reported.

A certified transcript of the record, including the proceedings in said Circuit Court of Appeals, is presented herewith in accordance with Rule 38 of this Court.

I. Short and Summary Statement of the Matter Involved.

A. Parties and nature of the proceedings.

This is a suit in equity instituted in the United States District Court for the District of Delaware. Plaintiffs are Black & Yates, Inc., a New Jersey corporation, Thomas E. Powe Lumber Company, a Missouri corporation, successor to a firm of the same name, and Walter G. Scrim, a citizen of California. Defendants are Mahogany Association, Inc., a Delaware membership corporation, and one of its members, Thompson Mahogany Company, a Delaware corporation. The question arises on the pleadings.

The complaint is founded upon prior proceedings instituted *against plaintiffs* and their associates by the Federal Trade Commission, known as the "Philippine mahogany" case, reported in the test case of *Indiana Quartered Oak Co. v. F. T. C.*, 26 Fed. (2d) 340, cer. den. 278 U. S. 623, modified in 58 Fed. (2d) 182.

Plaintiffs and their associates deal in various kinds of woods grown in the Philippine Islands, differing from each other, having the common names of red lauan, white lauan, tanguile, almon, etc., produced by trees of the same names. Instead of selling these woods under their proper names, they have called them "mahogany" or "Philippine mahogany" in this country. Botanically they are of the family Dipterocarp, genus Shorea. Genuine mahogany is the product of the mahogany tree, which does not grow natu-

rally in the Philippines. It is of the family Melia, genus Swietenia.

The "Philippine mahogany" case has had three phases:

(1) Original proceedings before the Federal Trade Commission resulting in the decision in *Indiana Quartered Oak Co. v. F. T. C.*, 26 Fed. (2d) 340, enjoining the use of the word "mahogany" and the trade term "Philippine mahogany";

(2) Subsequent proceedings, reported in 58 Fed. (2d) 182, continuing the injunction against the use of the word "mahogany" but tolerating the trade term "Philippine mahogany";

(3) Reopened proceedings, still pending, in which the Commission is reconsidering its former action permitting the use of the trade term or "secondary use."

The Philippine hardwoods referred to in the Complaint are concededly the same red lauan, tanguile, etc., involved in the "Philippine mahogany" case.

Defendant Association is a membership corporation whose members, number unspecified, deal in genuine mahogany. Plaintiffs' only grievance is that defendant or its members have made statements, not produced in *verba hæc*, to the general effect that lauan, tanguile, etc., are not mahogany and that it is an improper trade practice to sell them as such or as "Philippine mahogany."

It is difficult to ascertain the theory of the Complaint. At most, it is a charge of trade libel or perhaps personal libel. Intermingled with allegations of this nature are paraphrases of the Anti-Trust acts.

The District Court and the Circuit Court (both on the original hearing and the rehearing) are in accord that the

Complaint states no cause of action under the Anti-Trust laws. They further agree that this reduces the case to one for disparagement of goods, in which Federal jurisdiction rests only on diversity of citizenship and statutory amount.

The issue, therefore, is reduced to the legal sufficiency of the allegations as to disparagement to sustain a cause of action in equity.

The District Court followed the established rule, applicable in Delaware, that disparagement of goods falls within the classification of "trade libel"; that the only cause of action for trade libel in Delaware is at common law for damages; and that as there is no right of action in equity in Delaware to restrain publication of a libel, the Complaint must be dismissed.

Even at common law, the Complaint was bad because it did not show special damage.

B. The original opinion in the Circuit Court.

In the Circuit Court, plaintiffs apparently realized the insuperable bar of the equity rule and contended that it did not apply because the true label of the action was "unfair competition."

Unfair competition is an entirely different tort; plaintiffs had not alleged any of the characteristic elements of such a cause of action, such as passing off, trademark infringement, civil conspiracy, physical interference with customers, boycott, name piracy, etc.; they rested solely on disparagement or trade libel, or perhaps personal libel.

The original opinion by Judge Clark agreed with the District Court that the cause of action was trade libel and nothing else; he also recognized that under the then prevailing rule in Delaware and elsewhere the only cause of action for trade libel was at law, and as the plaintiffs

failed to allege special damage, they could not recover at law. But he pointed out that for many years there had been academic revolt against this prevailing rule (see 29 Harvard Law Review 640), and he thereupon decided that the time had come to discard the rule and recognize a right of action in equity, stating that the inability to prove special damage was a compelling reason for granting the equitable remedy. He did this without considering the Delaware law.

C. The opinion on rehearing in the Circuit Court.

Defendants' petition for rehearing contended that under the doctrine of *Erie R. Co. v. Tompkins,* 304 U. S. 64, a Federal court, in a diversity case, could not change the local law. It was further contended that the absence of damage destroyed the Federal jurisdiction.

As we understand the opinion on rehearing, the ruling is as follows:

(1) While a Federal court, in a diversity case, is bound by the substantive law of the State, and therefore would have no jurisdiction at equity of an action for trade libel if the local law gave none, there is an independent Federal equity law under which the Federal court has jurisdiction of such a cause of action in equity even though it is denied to the State court of equity.

(2) Although the local law restricts the cause of action for unfair competition to its traditional form of passing off and adheres to the rule that "trade libel" is an independent tort governed by its own rules, still the Federal court, in a diversity case, could expand the concept of "unfair competition" to include any form of trade practices "unfair" in the popular sense so as to include "trade libel"; and where

the local law gave a right in equity for *traditional* "unfair competition," the Federal court could enjoin trade libel. The opinion is not clear as to whether this conclusion is based: (a) On the right of the Federal courts to change the local law at common law or equity, or (b) to follow an independent course in all equity cases.

(3) The Court ruled that the allegations as to jurisdictional amount were insufficient, but gave plaintiffs leave to amend.

The opinion of Judge Clark clearly recognizes that the sole question now before the Federal Trade Commission is whether the "secondary" trade meaning of "Philippine mahogany" has been sufficiently established in the light of *F. T. C. v. Algoma Lumber Co.*, 291 U. S. 67. This necessarily implies that the original prohibition against calling lauan, tanguile, etc. "mahogany" is still applicable and there remains only the question if the secondary meaning is now deceptive.

The opinion on rehearing does not discuss this question, but rules definitely that if plaintiffs lose before the Commission, they will have no cause of action of any kind in any Court.

II. Jurisdictional Statement.

The final date of the judgment to be reviewed is June 10, 1942, the date of the judgment entered by the Circuit Court of Appeals after the rehearing. The judgment was rendered in a civil action.

The statute under which the jurisdiction of this Court is invoked is Section 240 (a) of the Judicial Code (28 U. S. C. A. Section 347 a).

The decision of the Circuit Court of Appeals holds that Federal equity courts can assume jurisdiction and grant relief in causes of action over which the local State equity

courts have no jurisdiction and where they can grant no relief, and also apparently holds that where a Federal equity court considers there is need for granting equitable relief, they may do so regardless of the state of the local law. The decision apparently also decides that Section 5 of Article I of the Constitution of Delaware of 1897 which provides: "The press shall be free to every citizen who undertakes to examine the official conduct of men acting in a public capacity; and any citizen may print on any subject, being responsible for the abuse of that liberty", does not prohibit the Delaware Courts of Chancery from enjoining the publication of libel and that under Delaware law a libel can constitute unfair competition. The judgment of the Circuit Court of Appeals therefore purports to decide important questions of local law in a way probably in conflict with applicable local decisions; and has decided an important question of federal law which has not been, but should be, settled by this court or has decided the federal question in a way probably in conflict with applicable decisions of this court so as to call for an exercise of this court's power of supervision.

The following cases are believed to sustain jurisdiction:

Erie R. Co. v. Tompkins, 304 U. S. 64, 82 L. ed. 1188;

Ruhlin v. New York L. Ins. Co., 304 U. S. 202, 82 L. ed. 1290;

West v. American T. & T. Co., 311 U. S. 223, 85 L. ed. 139;

Klaxon Company v. Stentor Electric Mfg. Co., 313 U. S. 487, 85 L. ed. 1477;

Pecheur Lozenge Co., Inc. v. National Candy Company, Inc., — U. S. —, 86 L. ed. 739.

III. Questions Presented.

The questions presented are of importance in clarifying, and applying the doctrine of the *Erie R. Co. v. Tompkins,* 304 U. S. 64, case to Federal equity jurisdiction in diversity cases and may be stated as follows:

(1) Is a Federal equity court, in a case where jurisdiction rests solely on diversity of citizenship, required to follow the local common law on the equity side as well as the local common law on the law side, or is there a general "Federal equity law" independent of the local equity law so that a Federal equity court can assume jurisdiction and grant relief on a cause of action over which the local State equity court has no jurisdiction and where it can grant no relief?

(2) Whether or not there is such independent general Federal equity law, has a Federal equity court, in a diversity case, the power to apply the local common law at law or equity in a different manner than as applied by the State court, even to the point of denying defendants a trial by jury which they could obtain on the same cause of action in the local State court?

Prayer.

WHEREFORE, your petitioners respectfully pray that a writ of certiorari be issued out of and under the seal of this Honorable Court directed to the Circuit Court of Appeals for the Third Circuit commanding that Court to certify and send to this Court for its review and determination on a day certain to be therein named, a full and complete transcript of the record and all proceedings in the case numbered and entitled on its docket No. 7561, Black & Yates, Inc., Thomas E. Powe Lumber Company and

Walter G. Scrim, Plaintiffs-Appellants, v. Mahogany Association, Inc., and Thompson Mahogany Company, Defendants-Appellees, and that the said decree of the Circuit Court of Appeals for the Third Circuit reversing the judgment of the District Court for the District of Delaware may be reversed by this Honorable Court and that your petitioners may have such other and further relief in the premises as to this Honorable Court may seem meet and just; and your petitioners will ever pray.

MAHOGANY ASSOCIATION, INC.,
THOMPSON MAHOGANY COMPANY,
Petitioners,
By WILLIAM P. McCOOL,
67 Wall Street,
New York City,
and
ARTHUR G. LOGAN,
Continental-American Building,
Wilmington, Delaware,
Attorneys.

IN THE

SUPREME COURT OF THE UNITED STATES.

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v.

BLACK & YATES, INC., THOMAS E. POWE LUMBER COMPANY AND WALTER G. SCRIM,
(Plaintiffs-Appellants Below),
Respondents.

BRIEF FOR PETITIONERS IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

This petition seeks a review of a decision of the Circuit Court of Appeals for the Third Circuit on rehearing, which reversed in part a decision of the District Court of Delaware, reported in 34 Fed. Supp. 450, holding that no cause of action was stated in the complaint on any theory and "Defendants here are the aggrieved parties". Neither opinion of the Circuit Court reviews the pleadings in detail; the opinion on rehearing refers to and apparently adopts the analysis of the District Judge. The first opinion was by Judge Clark, while the opinion on rehearing was by Judge Biggs. Neither has been reported.

The Court is respectfully referred to the Petition for a short and summary statement of the matter involved; the questions presented; the basis of jurisdiction, and the reasons urged for granting the writ.

I. Questions Presented, As Set Forth in the Petition.

(1) Is a Federal equity court, in a case where jurisdiction rests solely on diversity of citizenship, required to follow the local common law on the equity side as well as the local common law on the law side, or is there a general "Federal equity law" independent of the local equity law so that a Federal equity court can assume jurisdiction and grant relief on a cause of action over which the local State equity court has no jurisdiction and where it can grant no relief?

(2) Whether or not there is such independent general Federal equity law, has a Federal equity court, in a diversity case, the power to apply the local common law at law or equity in a different manner than as applied by the State courts, even to the point of denying defendants a trial by jury which they could obtain on the same cause of action in the local State courts?

II. Argument.

A. The doctrine of Erie R. Co. v. Tompkins, 304 U. S. 64, requires that in every case where Federal jurisdiction rests solely on diversity of citizenship, the local common law, which includes the principles of equity, is the "Rule of Decision". There is no independent Federal Equity Law. Therefore, a Federal Equity Court, in a diversity case, cannot assume jurisdiction, nor grant injunctive relief, where a State Equity Court cannot do so.

We submit that this Court did not limit the doctrine of *Erie R. Co.* to causes on the law side, but specifically directed that the local law was to be followed by Federal courts both on the law side and on the equity side. Both the law applicable on the law side and the law applicable on the equity side come within the "common law". At least that is the rule in Delaware. The common law of Delaware includes the principles of equity. See *Fox v. Wharton,* 5 Del. Ch. 200; *Lynch v. Hill,* 6 A. (2d) 614; *Continental Guaranty Corp. v. Peoples Bus Line* (Del., 1922), 117 A. 275, 279.

In *Erie R. Co. v. Tompkins,* 304 U. S. 64, 82 L. ed. 1188, this Court pointed out the defects, political and social, which had resulted from applying the doctrine of *Swift v. Tyson,* 16 Pet. 1, 10 L. Ed. 865, and held there is "no Federal general common law". This Court construed Section 34 of the Federal Judiciary Act of 1789 to require that in any diversity of citizenship case in Federal courts, "the law to be applied in *any case* is the law of the State."

In *Ruhlin v. New York L. Ins. Co.,* 304 U. S. 202, 82 L. ed. 1290, this Court reviewed by writ of certiorari a

judgment of the Circuit Court of Appeals for the Third Circuit, in a case on the equity side. There the relief sought was rescission, an equitable right of action. This Court said that the doctrine of the *Erie R. Co.* case applied "though the question of construction arises not in an action at law, but in a suit in equity".

In *West v. American T. & T. Co.*, 311 U. S. 223, 85 L. ed. 139, we again find this Court ruling that in diversity cases even on the equity side, the local State law is to be applied.

The only cause of action pleaded in the instant case is that defendants injured plaintiffs by *words* which disparaged their goods and reflected upon their business ethics. The universal rule, applicable in the State Courts of Delaware, classifies the grievance as libel or trade libel [1] (see opinion of Judge Clark). It is equally clear that except as held below, the presently established American rule, applicable in Delaware, is that the only cause of action for libel or trade libel is at law to recover the special damages suffered thereby (*Edison v. Thomas Edison, Jr. Chemical Co.*, 128 Fed. 957 [Del.]). There is no cause of action in equity to restrain the publication of libel. That is the general American rule, so firmly fixed that as stated by Dean Pound in 29 Harvard Law Review, page 640, it can be changed only by legislation. The rule has been severely criticized

[1] Smith, *Disparagement of Property*, 13 Columbia L. Rev. 13; Pound, 29 Harvard L. R. 640; Nims on *Unfair Competition*, Third Ed. p. 697, § 262; *Francis v. Flinn*, 118 U. S. 385; *Marlin Fire Arms Co. v. Shields*, 171 N. Y. 384; *Edison v. Thomas A. Edison Jr. Chemical Co.*, 128 Fed. 957 [Del.], citing the *Marlin* case; *Flint et al. v. Hutchinson Smoke Burner Co.*, 110 Mo. 492, 19 S. W. 804; *American Ball Co. v. Federal Cartridge Co.*, 70 Fed. (2d) 570 and note 98 A. L. R. 665.

academically, but the courts have adhered to it.[2] Indeed, the whole point of Judge Clark's opinion is that such is the existing Delaware law; and that the time has come to change it. Apparently the rehearing was granted in recognition of the fact that the doctrine of *Erie R. Co. v. Tompkins* forbids Delaware Federal Courts from changing the Delaware law.

On rehearing, the Circuit Court formulated a new and different theory. In effect, this attempts to create an exception to the doctrine of the *Erie R. Co.* case, by holding that there is an independent Federal equity law which may be applied in a diversity case in such manner as to result in the recognition of an equitable right of action denied by the local law; so that in this case the District Court is authorized to grant the relief which the State courts are prohibited from granting. If this be true, little remains of the *Erie R. Co.* doctrine and its principle that the same law is to be administered by the Federal Courts in a di-

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[2] The decisions: *Francis v. Flinn,* 118 U. S. 385; *Edison v. Thomas A. Edison Jr. Chem. Co.,* 128 Fed. 957 [Del.]; *Marlin Fire Arms Co. v. Shields,* 171 N. Y. 384; *Citizens Light, Heat & Power Co. v. Montgomery etc. Co.,* 171 Fed. 553 [Ala.]; *Flint et al. v. Hutchinson Smoke Burner Co.,* 110 Mo. 492; *Singer Mfg. Co. v. Domestic Sewing Machine Co.,* 49 Ga. 70; *Prudential Assurance Co. v. Knott,* L. R. 10 Ch. App. 142; *Mulkern v. Ward,* L. R. (13 Eq. Cases) 619; *Brandreth v. Lance,* 8 Paige Ch. Rep. (N. Y.) 24; *Kidd v. Horry,* 28 Fed. 773; *American Malting Co. v. Keitel,* 209 Fed. 351. See also Pomeroy's Equity Jurisprudence, 4th ed., Vol. 5, Sec. 2050 (Sec. 629).

The academic criticism: Pound, 29 Harvard L. R. 640; Derenberg on *Trade Mark Protection and Unfair Trading,* p. 142; Handler, *Unfair Competition,* 21 Iowa L. R. 175, 190-191; 40 Columbia L. R. 341 (Note); 19 Cornell L. Q. 63; 47 Yale L. R. 1304; Chaffee, 53 Harvard L. R. 1289; Prosser on *Torts,* Ch. 20, 972. For the latest discussion, still recognizing the universal rule and especially as to "group libel", see 42 Columbia L. R. 727 (May 1942) particularly at page 774.

versity case as though the action were brought in the State Court.

The opinion of the Circuit Court on rehearing states:

"The defendants allege that the suit at bar cannot be maintained because the law of Delaware will not authorize the enjoining of a continuing libel. It is upon this point that the defendants place their greatest reliance. The defendants contend that the rule of *Erie Railroad Co. v. Tompkins,* 304 U. S. 64, applies in the case at bar. It does so far as concerned substantive law, * * *.

"There is no doubt that the substantive law of Delaware gives the person who has received legal injury a right of action for trade libel or disparagement of goods. The question which we must decide therefore may be stated as follows: What is the remedy which may be granted in the District Court of Delaware? In *Sprague v. Ticonic Bank,* 307 U. S. 161, 164-165, the Supreme Court by Mr. Justice Frankfurter, held, following earlier decisions, including *Payne v. Hook,* 7 Wall, 425, 430, that 'The suits "in equity" of which these courts [of federal equity jurisdiction] were given "cognizance" ever since the First Judiciary Act, constituted that body of remedies, procedures and practices which theretofore had been evolved in the English Court of Chancery, subject, of course, to modifications by Congress, *e. g. Michaelson v. United States,* 266 U. S. 42.' We think that this must be deemed to be an indication from the Supreme Court that insofar as equitable remedies are concerned federal courts are to grant them in accordance with their own rules which have been developed out of the English Chancery practice. The words of Mr. Justice Frankfurter in the Ticonic Bank case are a plain indication that the rule enunciated in *Payne v. Hook,* supra, p. 430, 'The equity jurisdiction conferred on the Federal Courts is the same that the High Court of Chan-

> cery in England possesses: is subject to neither limitation or restraint by state legislation, and is uniform throughout the different States of the Union', is the law so far at least as the granting of equitable remedies is concerned. The rule of Erie R. Co. v. Tompkins being determinative of substantive rights, there is still preserved to the federal courts a uniform basis for granting equitable remedies in cases in which substantive rights have arisen under state law."

The difficulty we think is in distinguishing between the right of action, which is a matter of substantive law, and mere matters of remedy and procedure.[3]

The substantive law of Delaware gives no right of action in equity for libel or trade libel. This is a matter of Delaware public policy. We are not here concerned with its historical basis nor its wisdom. We are concerned only with the principle that a Federal court, sitting in Delaware in a diversity case, is required to apply the existing Delaware law and cannot adopt what it deems to be a better rule (*Klaxon v. Stentor Elec. Mfg. Co.*, 313 U. S. 487).[4]

Apparently the Circuit Court arrived at the conclusion that the Delaware Federal equity court could enjoin trade

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[3] *Sprague v. Ticonic Bank*, 307 U. S. 161, cited by the Circuit Court, relates to a typical matter of procedure, i. e. costs.

[4] If the inquiry were pertinent, undoubtedly the rule so firmly fixed would find ample justification in the reluctance of the Colonies to grant arbitrary power to a Chancellor, particularly where it might impinge upon the right of free speech or jury trial or in any case where the local public policy deemed the remedy for damages adequate. This applies with special force in Delaware where since Colonial days the Chancellor has been limited by statute and has been specifically denied "power" to assume jurisdiction and grant relief in all cases where there is a "sufficient

libel, and was not limited as the Chancellor would be, because it was of the opinion that the granting or denial of an injunction against publication was merely a matter of remedy. However, we submit that here the Court erred because the essential matter involved was jurisdiction and the recognition of a right of action, not merely remedy. The Delaware equity court can not take jurisdiction and does not recognize the right.

It seems to us axiomatic that whether or not a right of action exists is a matter of substantive law and goes far beyond any question of remedy, which arises only after any questions involving the right of action or jurisdiction have been solved. This was clearly recognized by the Delaware Federal Court in the case of *Edison v. Thomas Edison, Jr. Chemical Co.*, 128 Fed. 957 [Del.].

The implications of the new contrary theory suggested by the Circuit Court are infinite. They are best illustrated by the instant case.

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remedy'' at law. Vol. 1, Del. Laws, Chap. 54, Sec. 25; Delaware Revised Code, 1935, Sec. 4367. See *Fox v. Wharton*, 5 Del. Ch. 200. The power of the Chancellor is also limited by Sec. 5, Art. 1 of the Delaware Constitution which guarantees freedom of speech. See *Citizens Light, Etc. Co. v. Montgomery etc. Co.*, 171 Fed. 553, construing similar provisions of Alabama Constitution. The Colonies followed the Blackstonian concept against prior restraint (29 Harvard L. R. at 664).

B. Even if it be held that there is an "Independent Federal Equity Law", the Erie R. Co. case does not permit a Federal Equity Court, in a diversity case, to apply the local law in a different manner than as applied by the State Court, particularly where this would result in the denial of a substantive right, such as a trial by jury.

This problem is somewhat akin to that discussed in Point I, but has even more serious implications.

The Delaware local law, following the American rule, classifies the instant facts as libel and nothing else. It provides as the exclusive form of action the time-honored form of action on the case, and in Delaware such action is at law and *with trial by jury.* That right of action has its traditional elements of false words, malice, and in the case of trade libel, special damage. (Prof. Jeremiah Smith, "Disparagement of Property", 13 Columbia Law Review, 13). The opinion of the Circuit Court would permit a non-resident of Delaware to institute an action in equity in the Delaware Federal Court against a resident of Delaware and thereby deny to the resident defendant the right of jury trial which the Constitution of his own State guarantees to him. In *Citizens Light, Heat & Power Co. v. Montgomery &c. Co.*, 171 Fed. 553, the Federal Court, construing a provision of the Alabama constitution (Art. 1, § 4) on the subject of free speech which is almost precisely the same as the similar provision in the Delaware Constitution, said: "Defendant has a right to have the truth or falsity of the issue determined by a jury trial as at common law. That it cannot get in a court of equity. * * * The Court cannot go outside of the Constitution, or hold that to be an inadequate remedy which the Constitution" (of Alabama) "has declared to be the sole remedy. The wrongs and injury

* * * are parts of the price the people * * * have declared it is better to pay, than to encounter the evils which might result if the courts were allowed to take the alleged * * * libeller by the throat, in advance."

It is true that the Delaware law also recognizes an entirely different right of action, known as the traditional "unfair competition". This is narrowly limited to "passing off", name piracy, trademark infringement, physical interference with customers, boycott, etc. The two cases cited by Judge Biggs (footnote, page 6) are of this type. And where even name piracy is essentially libel, it is not "unfair competition" as known to equity, and there is no right of action in equity. *Edison v. Thomas Edison, Jr. Chemical Co.,* 128 Fed. 957 [Del.]; *Flint et al. v. Hutchinson Smoke Burner Co.,* 110 Mo. 492 at 501.

The cases cited by Judge Biggs at page 11 are mainly Federal cases, predating the *Erie R. Co.* case, involving either physical interference with interstate commerce in labor disputes, or infringement of patent, for which there is independent Federal jurisdiction. As noted by Dean Pound in 29 Harvard Law Review 640, prior to the *Erie R. Co.* case, there may have been some tendency of the Federal courts to build up an independent Federal cause of action in unfair competition, irrespective of local law. But Professor Chaffee in 53 Harvard Law Review 1289 recognizes that this has all been changed by the *Erie R. Co.* doctrine.

As we understand the *Erie R. Co.* doctrine, the transfer from the State court to a Federal court, solely upon the ground of diversity of citizenship, cannot change the substantial rights of the parties so that a different legal result is applied to the same facts. The cause of action for unfair competition in a diversity case is controlled by the local law.

Pecheur Lozenge Co. Inc. v. National Candy Co., — U. S. —, 86 L. ed. 739.

If the Federal courts are to disregard the usual elements and limitations of the action of unfair competition as known to the local law, they must have a similar right to recast or eliminate the elements of every other cause of action under the local law and achieve by indirection the result which the local law may forbid. Federal jurisdiction in diversity cases was intended only to assure a non-resident plaintiff against local prejudice which it was thought might exist in certain State Courts; its theme was equality; it was not intended to grant a non-resident plaintiff a greater right than a resident plaintiff, nor to deprive a resident defendant of rights accorded to him by his local law.

As we understand the opinion, the Circuit Court has created a new principle unknown to the local law, that whenever there is competition, and in connection therewith anything is done which is "unfair" in an ethical sense, it may be a Federal cause of action for unfair competition, and although the specific tort could not be enjoined under local law as a libel, it may be enjoined by giving it a new name.[5] If this new principle is established in the Federal courts, we have the censorship of business morals which now prevails

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[5] Efforts to avoid the rule in trade libel by calling it "unfair competition", suggested by some of the academicians, have heretofore been rejected by the courts. (See e. g. *Flint et al. v. Hutchinson Smoke Burner Co.*, 110 Mo. 492; *Edison v. Thomas A. Edison Jr. Chem. Co.*, 128 Fed. 957, and other citations, Notes 1 and 2.)

Professor Chaffee in 53 Harvard L. R. at page 1321 seems to dispose of the theory by his statement that unfair competition has not much more to do with unfairness in the popular sense than police power has to do with police.

only in Germany (see 47 Yale Law Review 1304). The Federal courts will have time for little other business.[6] It would prevent proper advice to the public as to the true identity of the goods sold under a "secondary term", and permit the usurper in the end to claim that the error had gone beyond correction. See *F. T. C. v. Algoma Lumber Co.*, 291 U. S. 67; and *F. T. C. v. Winsted Hosiery Co.*, 258 U. S. 483. Specifically, it would nullify the injunction of the Second Circuit in *Indiana Quartered Oak Co. v. F. T. C.*, 26 Fed. (2d) 340 and permit plaintiffs to disregard the agreement upon which they secured the modification in 58 Fed. (2d) 182, and render useless the efforts of the Federal Trade Commission to prevent substitution of one substance for another. This is its major function because the common law gives no such remedy (see *American Washboard Co. v. Saginaw*, 103 Fed. 281; *Mosler Safe Co. v. Ely Norris Safe Co.*, 273 U. S. 132; *F. T. C. v. Winsted Hosiery Co.*, 258 U. S. 483; Henderson, "The Federal Trade Commission", p. 179).

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[6] Even the academicians are not agreed as to how far the "new rule" should go. Dean Pound in 29 Harvard L. R. 640 suggests that it be limited generally to repetition of a libel, where a jury has already held the same matter to be libelous in a common law action. On the other hand, 47 Yale Review 1304 argues for the German system, which of course is founded on a different system of law and a provision of German civil code. Wigmore's theory is that all competition is harmful (53 Harvard L. R. 1316, 1317). Professor Chaffee disagrees and shows the need for caution —"The Court will be beginning a permanent job of business management." *Id.* See *Francis v. Flinn*, 118 U. S. 385.

Conclusion.

We respectfully submit that the Writ of Certiorari ıould issue.

Respectfully submitted,

WILLIAM P. MCCOOL,
67 Wall Street,
New York City,
and
ARTHUR G. LOGAN,
Continental-American Building,
Wilmington, Delaware,
Attorneys for Petitioners.

(21)

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CLERK

IN THE

Supreme Court of the United States

October Term, 1941.

No. 286.

MAHOGANY ASSOCIATION, INC., and THOMPSON MAHOGANY COMPANY,
(Defendants-Appellees Below),
Petitioners,

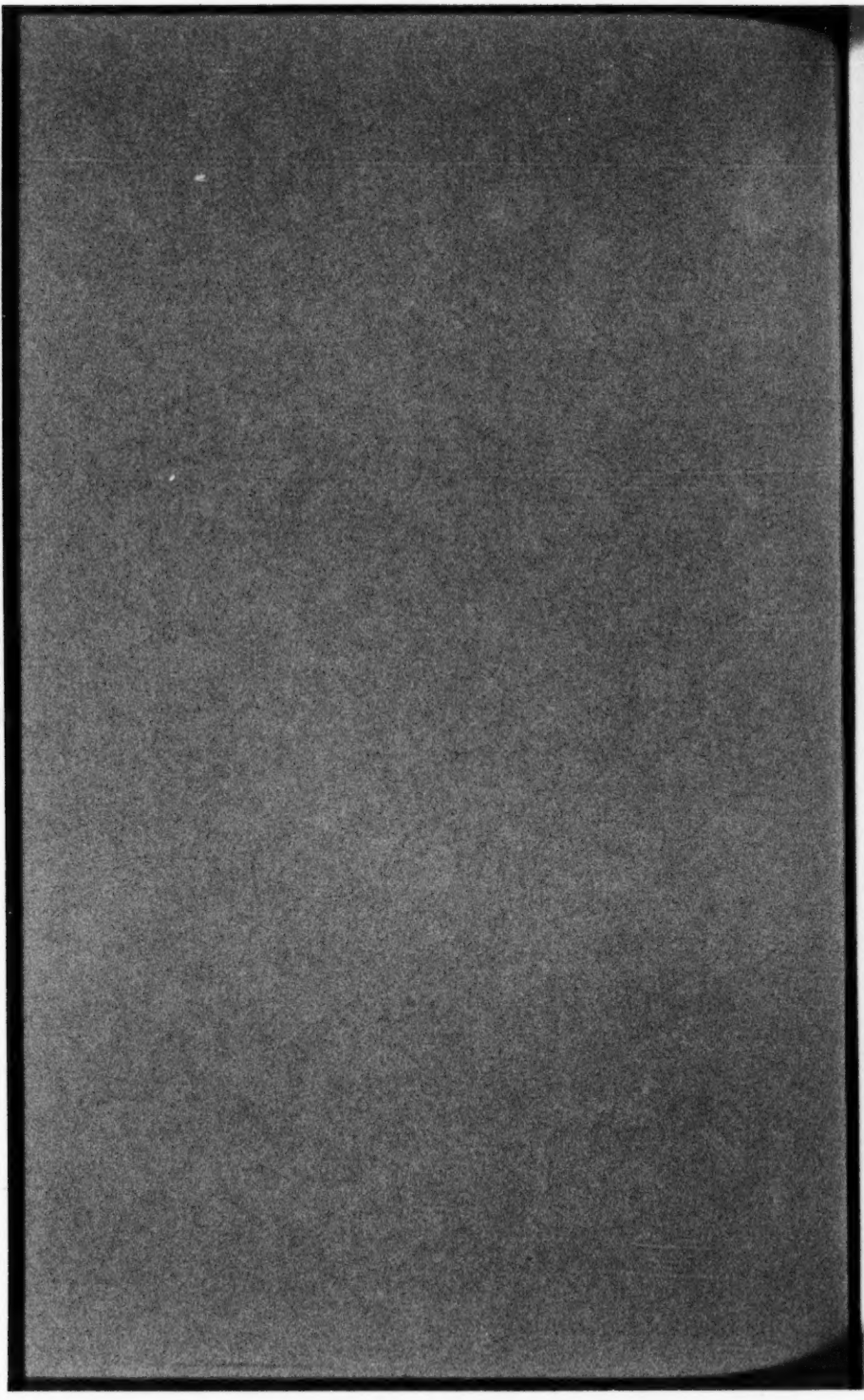
v.

BLACK & YATES, INC., THOMAS E. POWE LUMBER COMPANY and WALTER G. SCRIM,
(Plaintiffs-Appellants Below),
Respondents.

Addendum to Brief in Support of Petition for Writ of Certiorari.

WILLIAM P. McCOOL,
67 Wall Street,
New York, N. Y.,
and
ARTHUR G. LOGAN,
Continental-American Building,
Wilmington, Delaware,
Attorneys for Petitioners.

International, 236 Chestnut St., Philadelphia



IN THE

Supreme Court of the United States.

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MAHOGANY ASSOCIATION, INC., AND THOMPSON MAHOGANY COMPANY,

(Defendants-Appellees Below),
Petitioners,

v.

BLACK & YATES, INC., THOMAS E. POWE LUMBER COMPANY AND WALTER G. SCRIM,

(Plaintiffs-Appellants Below),
Respondents.

ADDENDUM TO BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Since our Petition for Writ of Certiorari was filed, an article appeared in 42 Columbia Law Review, No. 6, June 1942, entitled

"ERIE v. TOMPKINS: IN RELATION TO THE LAW OF TRADE MARKS AND UNFAIR COMPETITION"

by Sergei S. Klinkoff, which we think should be called to the Court's attention as it contains comment on the instant case, as follows:—

"There would seem to be no reason or policy for a wholesale departure in equity actions from the basic

rule of the *Erie* case that accidents of diversity of citizenship should not be allowed to produce differences between state and federal court decisions. *But cf.* the recent decision of Black Yates Inc. v. Mahogany Ass'n, C. C. A. 3d, June 10, 1942. Relying upon the decision in Sprague v. Ticonic Bank, 307 U. S. 161 (1939) the circuit court of appeals advanced the view that equitable remedies are to be granted by the federal courts '* * * in accordance with their own rules. * * * The rule of Erie R. Co. v. Tompkins being determinative of substantive rights, there is still preserved to the federal courts a uniform basis for granting equitable *remedies* in cases in which *substantive rights* have arisen under state law.' Endless confusion and uncertainty can be the only result of this viewpoint which requires a varying of the governing law as between *rights* and *remedies*. The artificial nature of any such dichotomy has long been recognized and it is regrettable that a distinguished court should not only perpetuate it, but require that the differentiation be made in order to apply different bodies of law to what is a single and indivisible question. Realistically what meaning or value have 'rights' apart from the remedies available for their protection?

Nor does the Supreme Court decision in the *Sprague* case support the broad distinction drawn by the circuit court between equitable *remedies* and substantive *rights*. The *Sprague* case involved the simple procedural issue of the allowance of counsel fees in an equitable proceeding. The *Erie* case was not relied upon below, nor cited to the Court and not even mentioned in its opinion.

Indeed such Supreme Court decisions as the *West* case, cited *infra* note 16, reveal the fallaciousness of the broad generalizations contained in the circuit court of appeals' opinion, in the *Mahogany* case, about *equitable*

remedies being entirely excepted from the dictates of the *Erie* case."

(Note 15, at page 959.)

Respectfully submitted,

WILLIAM P. MCCOOL,
67 Wall Street,
New York City,
and
ARTHUR G. LOGAN,
Continental-American Building,
Wilmington, Delaware,
Attorneys for Petitioners.

(22)

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IN THE

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No. 286

MAHOGANY ASSOCIATION, INC., and THOMPSON MAHOGANY COMPANY,

Petitioners,

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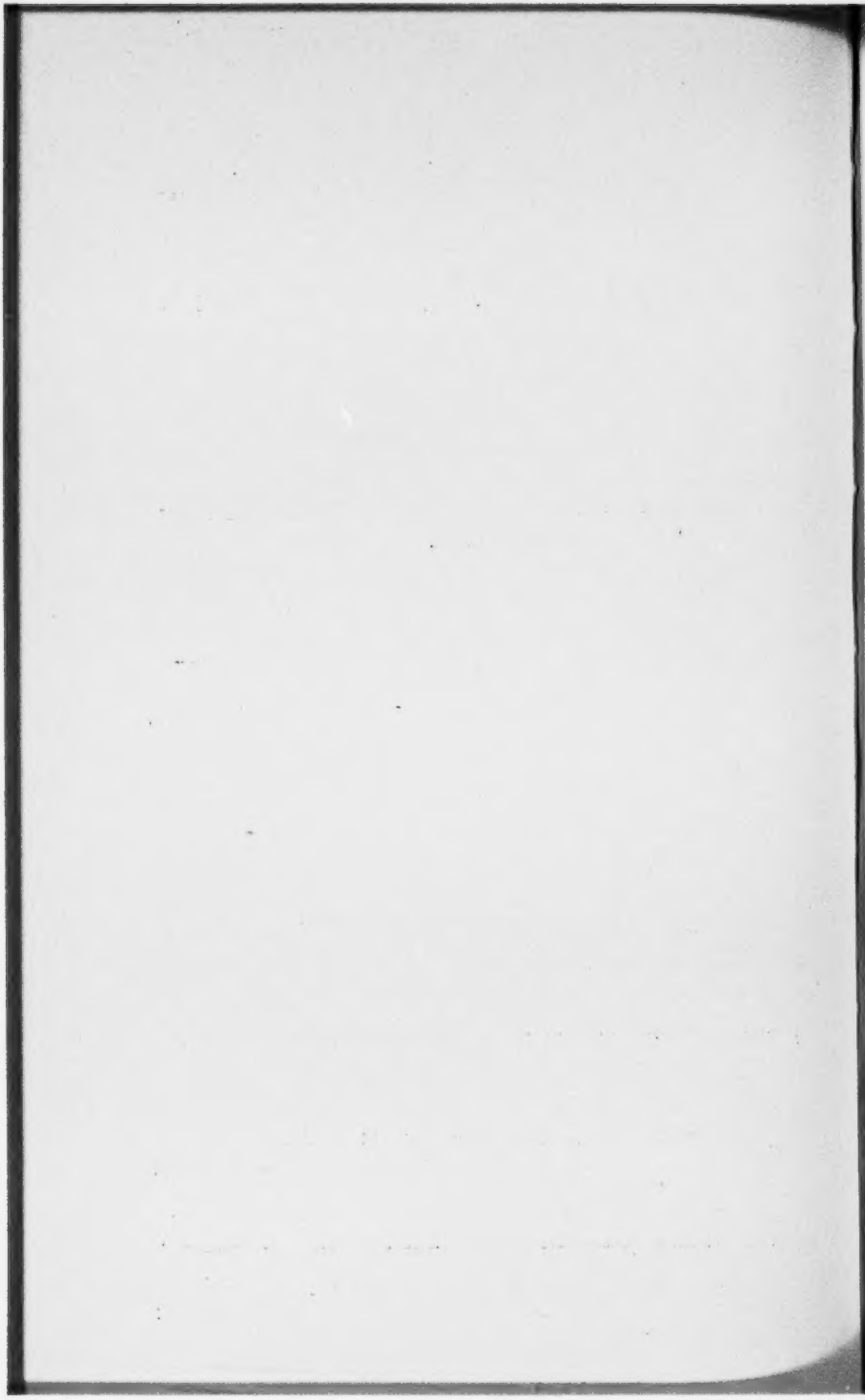
BLACK & YATES, INC., THOMAS E. POWE LUMBER COMPANY and WALTER G. SCRIM,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF FOR THE RESPONDENTS IN OPPOSITION

HARRY D. NIMS,
HUGH M. MORRIS,
MINTURN DE S. VERDI,
WALLACE H. MARTIN,
Counsel for Respondents.



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IN THE

Supreme Court of the United States

OCTOBER TERM 1942

No.

MAHOGANY ASSOCIATION, INC., and THOMPSON MAHOGANY COMPANY,

Petitioners,

v.

BLACK & YATES, INC., THOMAS E. POWE LUMBER COMPANY and WALTER G. SCRIM,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF FOR THE RESPONDENTS IN OPPOSITION

Opinions Below

The case was twice argued before the Court below, the reargument having been before the Court en banc. The first opinion of the Circuit Court, filed June 30, 1941 (R. 54-62), and the opinion after reargument, filed June 10, 1942 (R. 75-85), are reported together at 129 Fed. (2d) 227. The opinion of the District Court filed August 1, 1940 (R. 32-45), is reported at 34 Fed. Supp. 450.

Jurisdiction

The date of the judgment of the Circuit Court of Appeals reversing the decree of the District Court is June 10, 1942 (R. 85-6). The petition for certiorari was filed in this Court on August 7, 1942. The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended.

Questions Presented

The questions set out in the petition, page 8, we submit, are not concerned with the decision of the Court below but with obiter dictum. In any event, if the complaint states a cause of action for injunction against unfair competition under local law, there would seem to be no reason to grant the petition.

Statement

Plaintiffs are dealers in "Philippine mahogany" which has been widely sold in this country under that name for many years.[1]

---

[1] In 1931, the Federal Trade Commission, in dismissing certain complaints in a second group of cases, approved the use of the term "Philippine mahogany", finding in effect that Philippine mahogany was a type of mahogany (15 F. T. C. Dec. 439, 443-4) and thereby reversing a prior decision in a first group of cases (10 F. T. C. Dec. 280, 300, 320; 11 F. T. C. Dec. 248, 271, 293, 314) which had been confirmed by the Courts. In 1932 the Commission and respondents were successful in securing a modification of the Court orders so that the term "Philippine mahogany" was thereafter used with the approval of the Commission and the Courts (58 Fed. [2d] 182, modifying 26 Fed. [2d] 340; C. C. H. Fed. Trade Regulation Service Ct. Dec. Supp. 1932-37, Sec. 7015, p. 5060, also Vol. II, 7th Edition, Sec. 1062, p. 3022). Subsequent to these decisions, defendants misrepresented the decisions by stating that it was unlawful and unfair competition to sell "Philippine mahogany" as such and threatened plaintiff's customers with suit by

Defendants are charged with interfering with plaintiffs' custom, subsequent to the year 1932, by misrepresenting the decisions of the Federal Trade Commission and the Courts, threatening plaintiffs' customers with suit and other acts of unfair competition.

(*Footnote* [1] *continued*)
reason of their sale of "Philippine mahogany" as such (Com. pars. 23-30, R. 7-9; B/P 18, R. 25-6). In 1939 the Commission reopened the second group of dismissed proceedings, which had not been before the Circuit Courts of Appeals (Com. par. 26, R. 8), and the reopened proceedings are still pending.

There is nothing in the complaint or the bills of particulars to support the impression which petitioners seek to create (Petition, p. 6) that the Commission's 1931 decision was based on secondary meaning or that the Commission reopened the proceedings in 1939 solely to determine whether the term "Philippine mahogany" had acquired a secondary meaning, or that the proceedings were reopened in 1939 in order to apply the secondary meaning rule announced in the *Algoma* case (291 U. S. 67). In fact, Commissioner McCulloch's dissenting opinion indicates that the Commission's decision was not based on secondary meaning but on the finding that Philippine mahogany was a type of mahogany (15 F. T. C. Dec. 439, 440) and this has always been plaintiffs' position (R. 71-4). The *Algoma* case (1934) announced no new rule of secondary meaning. The same secondary meaning rule which was applied in the *Algoma* case was also applied in the first "Philippine mahogany" case (*F. T. C.* v. *Indiana Quartered Oak Co.*, 26 Fed. [2d] 340, 342, C. C. A. [2] 1928, modified in 1932, 58 Fed. [2d] 182), where it was decided that the term "Philippine mahogany" had not acquired and could not acquire a secondary meaning.

But in reality, it is immaterial whether respondents' cause of action here depends on secondary meaning or otherwise, since defendants' threats and misrepresentations, with reference to the lawful use of the term "Philippine mahogany", were made during a period when it cannot be disputed the use of the name "Philippine mahogany" was lawful and proper and would not subject the plaintiffs' customers to suits or prosecution, which is the fact today.

The Decisions Below

The District Court dismissed the complaint (R. 32-45). The Circuit Court reversed, stating in its opinion, filed June 30, 1941: "The learned district judge seems to us to have been influenced by his solution of an issue that did not happen to be before him" (R. 54). Defendants petitioned for a rehearing on the ground, among others, that the opinion changed the common law of Delaware and therefore was contrary to *Erie R. Company* v. *Tompkins*, 304 U. S. 64 (R. 63-70). After reargument en banc, the Court in its opinion, filed June 10, 1942, stated in part (R. 75):

> "As to the question of whether or not the plaintiffs have set forth a cause of action sounding in unfair competition, we shall deal later in this opinion. In our original opinion we decided that in Delaware a cause of action for trade libel or disparagement of goods might be maintained without regard to the existence or non-existence of civil conspiracy or unfair competition. Having some doubt as to the correctness of our decision on this point, we ordered rehearing. We shall endeavor to dispose of all the issues which we deem pertinent to the case at bar but we shall devote the first part of this opinion to the question of whether a 'pure' trade libel, that is to say a trade libel without any element of unfair competition or civil conspiracy or other aid to equitable jurisdiction, may be enjoined."

Thus characterizing its discussion of "pure" trade libel as obiter dictum, the Court considered the "question" of whether a "pure" trade libel without any element of unfair competition may be enjoined. It referred to cases involving "pure" trade libel and various criticisms of such

cases by authorities.[2] It then stated its decision[3] that the Court was not required to depart from the accepted rule of law of these cases in deciding that the complaint alleged a valid cause of action for unfair competition apart from "pure" trade libel or disparagement. Judge Biggs, speaking for the Court, said (R. 83-4):

> "In the case at bar we are not required to depart from severely criticized precedent. The District Court found that there was no competition between the woods of the plaintiffs and those of the defendants and that therefore there could be no competition. We think that the learned District Judge took too narrow a view of this question and that actually the woods of the plaintiffs and those of the defendants are in competition. The issue of unfair competition was not clearly disposed of in our first opinion. We conclude now that the allegations of the complaint viewed in the light of Rule 8 of the Federal Rules of Civil Procedure are sufficient to support a charge of unfair competition committed pursuant to the joint acts of the defendants and others."

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[2] The Court below correctly concluded (R. 78) that "the substantive law of Delaware gives the person who has received legal injury a right of action for trade libel or disparagement of goods" and that the remedy should be in accord with the Federal Court rules. Since this conclusion is obiter dictum, as later pointed out, we believe it would serve no useful purpose here to discuss this proposition.

[3] The Circuit Court reversed the District Court and remanded the case to the District Court with permission to amend the complaint to correct a technical defect in the allegation of jurisdictional amount.

ARGUMENT

I

The petition is based primarily on an erroneous assumption of fact. It states (p. 4) that the courts below agree the case is one solely for disparagement of goods and that "the issue, therefore, is reduced to the legal sufficiency of the allegations of disparagement to sustain a cause of action in equity". It also states (p. 4) that respondents "rested solely on disparagement or trade libel". The brief in support of petition (p. 14) asserts: "The only cause of action pleaded in the instant case is that defendants injured plaintiffs by words which disparaged their goods and reflected upon their business ethics." These assertions in the brief and petition are incorrect. The complaint is not one solely for disparagement of goods. While some of the acts alleged constitute disparagement of goods, other acts of unfair competition are also alleged, such as threats of suits, misrepresentation of decisions, and conspiracy to interfere with defendants' business.

The questions presented by the petition (p. 8) are not directed to the Court's decision that the complaint alleges a cause of action for unfair competition but are directed to the conclusions reached by the Court below in connection with its discussion of "pure" trade libel or disparagement of goods. Thus, the questions presented are concerned with obiter dictum. The petition in effect asks the Court to review the decision below on the erroneous assumption that the complaint is limited to a cause of action for disparagement of goods, which cause of action petitioners claim cannot be enjoined under Delaware law. In reality the Court below decided that the complaint states a valid cause of action for unfair competition for acts apart from disparagement of goods.

The petition should be denied since it is not directed to the actual basis of the decision below.

II

The Court's decision that the complaint states a cause of action for unfair competition is based on and conforms to the local law. This is evident from the opinion and all "persuasive data" [4] bearing on the local law and "the entire body of substantive law".[5]

The complaint alleges acts of unfair competition other than acts of mere disparagement of goods. It alleges intimidation of respondents' customers by threats of suit or prosecution. It alleges (R. 7-8, Com. Par. 24) that defendants (petitioners)

> "have intimidated, coerced and deceived the customers of the plaintiffs and interfered with plaintiffs' relations with their customers and with other members of the trade and public by statements to the effect that to sell plaintiffs' wood or merchandise made therefrom as Philippine mahogany is unlawful and that it is an unfair method of competition and that it may subject the customers of plaintiffs and others dealing in plaintiffs' merchandise to civil liability or criminal prosecution."

The complaint also alleges (R. 7, Com. Par. 23) that defendants have made false statements interfering with plaintiffs' business. One of the false statements made by defendants was a misrepresentation of the courts' decisions. They stated that the Federal Trade Commission had ruled that the Philippine woods had no right to the designation "Philippine mahogany", that this ruling had been upheld by the courts and confirmed by the Supreme Court; while omitting to state at the same time that the Federal Trade Commission had subsequently reversed itself on the facts by permitting the use of the term "Philippine mahogany" (R. 26, B/P 18(t)).

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[4] *West* v. *A. T. & T. Co.*, 311 U. S. 223, 237.

[5] *Ruhlin* v. *N. Y. Life Ins. Co.*, 304 U. S. 202, 9.

No decision by the Delaware courts is cited by either party holding that injunction is not the proper remedy in an action for unfair competition in threatening and intimidating customers and in misrepresenting decisions even though the action is also based on disparagement of goods. Obiter dictum, however, in every relevant decision of the Delaware court and of the Federal Court in Delaware makes it clear that an injunction in the present case is the proper remedy under the Delaware law.

In support of their petition the only Delaware case cited by petitioners is the Federal Court case of *Edison* v. *Thomas A. Edison, Jr. Chemical Company,* 128 Fed. 957, decided by Judge Bradford in 1904.[6] This case, however, was considered to be a "mere libel" case and the Court intimated that had the libel been accompanied by threats, intimidation or coercion, an injunction would have been the proper relief. Judge Bradford said (p. 963):

> "The case now in hand, being one merely of libel or defamation of business reputation, unaccompanied by threats, intimidation or coercion, or by any direct attack upon property or conduct of business, or by any direct or indirect creation of liability on the part of the complainant, is not within the equitable jurisdiction of this court. While the decisions are somewhat inharmonious, I am satisfied by an overwhelming weight of authority that this court has no jurisdiction to enjoin the publication of a mere libel or slander, and, consequently, no authority to grant the relief prayed."

In *Motion Picture Projectionists' Union* v. *Rialto Theatre,* 17 Atl. (2d) 836 (Sup. Ct. Del., 1941), plaintiff theatre owner sued to enjoin the defendant union from picketing plaintiff's premises. The Court discussed the conditions

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[6] The Court below discussed (R. 79-80) the *Edison* case, concluding that it and other Delaware cases determined that the provisions of Section 5 of Article 1 of the Constitution of Delaware having to do with the free press were inapplicable to trade libels as distinguished from personal defamations.

which warranted the issuance of an injunction against picketing and held that the facts in the case in question did not warrant a continuance of an injunction. However, Chief Justice Layton said (p. 841):

> "Dependent upon the existence of a lawful strike resulting from a bona fide labor dispute over wages, hours or conditions of work, picketing as a means of informing workers or the public of the existence of such dispute and for inspiring their support, is lawful *if conducted without threats, violence, molestation or the circulation of false or misleading representations by a reasonable number of persons whose interest in the controversy is not too removed.*" (Italics ours.)

The obiter dictum in this case is that picketing, if conducted with "threats, violence, molestation or the circulation of false or misleading representations", would be enjoined. Defendants seek to distinguish this case on the ground that it is a labor case, but it is not distinguishable from the present case in principle. Picketing is lawful if conducted without intimidation or coercion. In the present case competition is lawful if conducted without intimidation or coercion. In either case the unlawful act warranting injunctive relief is the intimidation or coercion.[7]

In *B. F. Goodrich, et al.* v. *American Lakes Paper Co.*, 23 Fed. Supp. 682, 686 (D. C. Del., 1938), in determining a motion to dismiss the complaint on grounds, the first of which was failure to state a cause of action based upon unfair competition, and in which the defendants were charged with harassing or threatening plaintiffs' customers because of alleged infringement of a patent which had been held invalid by a Wisconsin Federal Court, the Delaware Federal Court said (p. 686):

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[7] The principles of law under which secondary boycotts are found to be illegal have been held to be analogous to the principle of law in a suit for an injunction to prevent interference with business. *American Mercury, Inc.* v. *Chase*, 13 Fed. (2d) 224, 225 (D. C., D. Mass., 1926).

"There remains for consideration the motion of American Lakes to dismiss the bill of complaint. The motion is based upon two grounds: (1) That no cause of action based upon unfair competition is alleged, and (2) that no cause of action under the Declaratory Judgment Statute is alleged against Goodrich.

"The first ground is definitely settled by Kessler v. Eldred, supra.[8] There the court said: 'Leaving entirely out of view any rights which Kessler's customers have or may have, it is Kessler's right that those customers should, in respect of the articles before the court in the previous judgment, be let alone by Eldred, and it is Eldred's duty to let them alone. * * * An action at law would be entirely inadequate to protect fully Kessler's unquestioned right, and, under these circumstances, though there may be no exact precedent, we think that the jurisdiction in equity exists.' "

The Federal Courts in Delaware have also indicated that an action will lie under the Delaware law to enjoin misrepresentation and misuse of court decisions.

In *General Talking Pictures Corporation, et al.* v. *Stanley Co. of America,* 42 Fed. (2d) 904-905 (D. C. Del., 1930), Judge Avis said:

"The power of the court to protect decrees of this character from being misrepresented to the public, and particularly to parties who may be customers of the competitive litigants, has been frequently recognized, and is not seriously denied by counsel for the plaintiffs.

"Sufficient authority is shown in the cases of Rollman Mfg. Co. v. Universal Hardware Works (C. C. A. 3, 238 F. 568, and DuPont v. DuPont (D. C. Del.), 251 F. 937."

In *DuPont* v. *DuPont,* 251 Fed. 937, 945 (D. C. Del., 1918), Judge Thompson, in an action concerned with the purchase of certain stock of the DuPont Company, declared

[8] 206 U. S. 285, 289-290.

that the Court could prevent the improper use of the opinion and decree of the Court under the ruling of *Rollman Mfg. Co.* v. *Universal Hardware Works,* 238 Fed. 568.

In *Gibson* v. *Smoot Engineering Corporation,* 50 Fed. (2d) 203, 204 (D. C. Del., 1931), Judge Nields stated:

> "Should it appear that, under pretense of giving notice of patent rights, a patentee, or one claiming under him, is pursuing a course which is calculated to injure unnecessarily a competitor's business and with the plain intention of so doing, his conduct will be deemed malicious. Such a patentee brings himself within the rule of law obtaining in cases of unfair competition in trade, and is subject to injunction. Racine Paper Goods Co. v. Dittgen (C. C. A.), 171 F. 631."

See also *DeForest Radio, Telephone & Telegraph Co.* v. *Radio Corporation of America,* 4 Fed. (2d) 134 (D. C. Del., 1925).

Delaware Courts in their decisions have repeatedly followed the practice, in cases where the rule of law has not been clearly announced in previous Delaware decisions, of reviewing the decisions in other States and giving great weight to such decisions.[9] In so doing the Delaware Courts were applying "the entire body of substantive law" [10]

The rule of law that intimidation and coercion may be enjoined is recognized in the courts of other States.[11] There

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[9] *Lynch* v. *Hill,* 6 Atl. (2d) 614 (Del. Ch., 1939); *Sellers, Rec'r* v. *McCormick et al.,* 19 Del. Ch. 238 (1933); *American Radio Stores, Inc.* v. *American Radio & Television Stores Corp.,* 17 Del. Ch. 127 (1930); *Wilmington Trust Co.* v. *Hendrickson,* 31 Del. 303 (1921).

[10] *Ruhlin* v. *N. Y. Life Ins. Co.,* 304 U. S. 202, 9.

[11] *Emack* v. *Kane,* 34 Fed. 46 (D. Ill., 1888); *A. B. Farquhar Co.* v. *National Harrow Co.,* 102 Fed. 714 (C. C. A. 3, 1900); *Beck* v. *Railway Teamsters' Union,* 118 Mich. 497; *Citizens Light, Heat & Power Co.* v. *Montgomery Light & Power Co.,* 171 Fed. 553 (C. C., Ala.); *Racine Paper Goods Co.* v. *Dittgen,* 171 Fed. 631 (C. C. A. 7, 1909); *Dehydro,*

has been virtually no divergence of opinion or change of view on the part of the Courts as regards the right to an injunction for intimidation or coercion. In this respect the situation does not involve any question as to which of two rules should be adopted or any question as to whether the law in Delaware or elsewhere is now different from what it may have been at some former time as in the case of mere libel or disparagement. The only case we find which denies injunctive relief in a case of intimidation or coercion where the acts also constitute libel or disparagement is the Missouri case of *Flint* v. *Hutchinson Smoke Burner Co.*, 110 Mo. 492. But this single exception to the universal rule can hardly be regarded as a datum having any persuasive effect whatever as to the law of Delaware.

We submit, therefore, that not only is there nothing in the way of data regarding Delaware law that prevents a court of equity from granting an injunction against interference with business relations by threats, intimidation or coercion but that all the available persuasive data and the entire body of substantive law indicate that such is the rule of Delaware. And having jurisdiction to enjoin those acts of the defendants constituting threats, intimidation or coercion the Court may also, in order to give complete relief, enjoin the other statements by the defendants made as a part of the same course of conduct although such statements if taken alone might amount merely to libel or disparagement.

On this view of the case it is on all fours with the Delaware Chancellor's decision in *Liberty Life Assurance Society* v. *The Heralds of Liberty of Delaware*, 15 Del. Ch. 369 (1927), 138 Atl. 634. There, the Court had jurisdiction over

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(*Footnote* [11] *continued*)
Inc. v. *Tetrolite Co.*, 53 Fed. Supp. 273 (D. C.., Okla., 1931); *Maytag* v. *Meadows*, 35 Fed. (2d) 403, 408 (C. C. A. 7, 1929); *Old Investors and Traders Corp.* v. *Jenkins*, 133 (N. Y.) Misc. 213 (1928), aff'd without opinion 225 App. Div. 860; *Davis* v. *New England Ry. Pub. Co.*, 203 Mass. 470.

the cause of action for unfair competition in infringing the plaintiff's trade name, and, having jurisdiction on that basis, disposed of the entire controversy, including the restraint of defendant from distributing letters containing disparaging statements injurious to plaintiff's business. Here, the Court having jurisdiction to enjoin intimidation, coercion and misrepresentation of decisions can also enjoin disparaging statements injurious to business. See also *Eastern States Petroleum Co.* v. *Universal Oil Products Company*, 22 Del. Ch. 333, 343-4, 2 Atl. (2d) 138 (1938).

Since the Court's decision conforms to the local law, the petition should be denied.

CONCLUSION

The Circuit Court of Appeals decided the case correctly and the petitioner has failed to suggest any adequate reason for the interposition of this Court. The petition for certiorari should be denied.

September 24, 1942.

Respectfully submitted,

HARRY D. NIMS,
HUGH M. MORRIS,
MINTURN DE S. VERDI,
WALLACE H. MARTIN,
Counsel for Respondents.